

Old Age, Disability, Death

First law: 1924.

Current laws: 1952 (2 laws establishing separate programs for wage earners and salaried employees); 1980 and 1981 (laws establishing new social security system).

Type of program: Social insurance system (**old system**) and mandatory private insurance system (**new system**).

Exchange rate: U.S.\$1.00 equals 464 pesos.

Coverage

Old system—Wage earners' program: Wage earners and self-employed. Salaried employees' program: Salaried employees in private employment.

Special systems for railroad employees, seamen and port workers, public employees, the Armed Forces and over 35 other occupations.

New system—Wage and salary workers, mandatory coverage.

Self-employed, voluntary coverage.

Since the introduction of the new system in May 1981, the old system is being phased out. Workers entering the labor force after December 31, 1982 have to join the new system.

Source of Funds

Old system—Insured person: Wage earners, 18.84% of wages; salaried employees, 20.70% of salary.

Employer: None.

Government: Special subsidies needed to finance program.

New system—Insured person: Minimum for old-age pension, 10% of wage or salary; for survivor and disability pension and administrative fees, about 3% of wage or salary, depending on the pension fund management company (AFP) chosen.

Employer: None.

Government: Subsidies for guaranteed minimum pension.

Maximum monthly earnings for contribution purposes (old and new systems): 60 UFs (*unidades de fomento*). In January 1999, a monetary unit equalled 14,708.41 pesos. The value of the monetary unit for pension purposes is adjusted monthly to changes in the consumer price index.

Qualifying Conditions

Old system—Old-age pension: Wage earners, age 65 and 1,040 weeks of contributions; or 800 weeks of contributions and 50% of weeks since initial coverage (men); or age 60 and contributions in 520 weeks (women).

Salaried employees, age 65 and at least 10 years of contributions (men); or age 60 and at least 10 years of contributions (women).

Disability pension: Wage earners, declared totally or partially disabled, less than age 65 (men) or less than age 60 (women) at onset of disability; minimum of 50 weeks' contribution, of which at least 40% in last 5 years were also 50% of weeks since initial coverage (women are excused from this last requirement as are men with at least 400 weeks of coverage).

Salaried employees, 67% incapacity and 3 years of contributions.

Survivor pension: Wage earners—Deceased was pensioner, or had 50 weeks of paid coverage which must span at least 50% of the period of enrollment, of which at least 40% were in last 5 years.

These requirements do not apply to persons with at least 400 weeks of insurance.

Salaried employees—Deceased was pensioner or had at least 3 years' contributions.

New system—Old-age pension: Age 65 (men) and 60 (women).

20 years of contribution to receive minimum benefit.

Retirement permitted before normal retirement age if pension equals at least 50% of average wage over last 10 years and is at least equal to 110% of minimum old-age pension.

Disability pension: Loss of 2/3 of capacity to work.

Partial disability, loss of capacity between 50% and 66%.

Survivor pension: Deceased was covered or was pensioner at death.

Old-Age Benefits

Old system—Old-age pension: Wage earners: 50% of base wage (average monthly wages during last 5 years, first 2 years readjusted for wage changes), plus 1% of wages for each 50 weeks of contribution above 500 weeks.

Minimum: set by law; maximum, 70% of base wage.

Increment of 10% for each 150 weeks of contributions paid after award of pension.

Salaried employees: 1/35 of base salary times years of contribution.

Increment of 1/35 of base salary for each dependent child for women with over 20 years of contribution; 2/35 if widow.

Maximum: 100% of base salary.

Adjustment: Automatic annual adjustment of pensions for changes in price index.

New system—Old-age pension: Insured's contributions plus accrued interest, less administrative fees. Value of insured's contributions under the public system provided as indexed bond.

Minimum pension guaranteed by government.

At retirement, insured may make withdrawals from individual account, regulated to guarantee income for expected lifespan, or buy annuity from private insurance company, or a combination of the two.

Permanent Disability Benefits

Old system—Disability pension: Wage earners: For total disability, 50% of base wage (average monthly wages during last 5 years, first 2 years adjusted for wage changes), plus 1% of wages for each 50 weeks of contribution beyond 500 weeks.

Maximum: 70% of base wage.

Partial disability: One-half of total disability pension.

Salaried employees: 70% of base salary, plus 2% of salary for each year of contribution beyond 20 years.

Maximum: 100% of base salary.

Adjustment: Automatic annual adjustment of pensions for changes in price index.

New system—Disability pension: Following certification by medical committee, benefit financed for 3 years by AFP; benefit equal to 50-70% of base salary in case of total disability; 35-50% if partial disability.

Long-term pension: following second level of certification, the pension is financed through individual account; same as old-age, survivors and disability.

Minimum pension guaranteed by government.

Survivor Benefits

Old system—Survivor pension: Wage earners: Widow of any age or disabled widower, 50% of base wage or 100% of pension of insured, whichever is more favorable. Each orphan under age 15 (18 if student, no limit if disabled), 20% of base wage or average pension in preceding year. Mother of natural children of deceased, 60% of widow's pension.

Salaried employees: Widow or dependent widower, 50% of pension or base salary of insured in last 5 years. Each orphan (less than 18, 25 if student, any age if disabled) and dependent parents, 15% of pension or average salary.

Maximum survivor pensions: 100% of pension or salary of insured. Funeral grant: Wage earners and salaried employees, 3 months' minimum income.

New system—Survivor pension: Widow, or disabled widower, 60% of pension; 50% if pension also paid to children; 36% to mother of natural children acknowledged by deceased if children have right to pension, 30%. any orphan, 15% to age 18 (25 if student, any age if disabled); 50% to parents if no other beneficiaries.

Administrative Organization

Old system—Ministry of Labor and Social Welfare through Superintendent of Social Security, general supervision. Institute of Social Security Standardization, administration of program.

New system—Superintendent of Pension Fund Management Companies, general supervision.

Individual pension fund management companies (AFP's), administration of individual capitalization accounts.

Sickness and Maternity

First law: 1924.

Current laws: 1978, 1981 and 1985.

Type of program: Social insurance system. Cash and medical benefits.

Public system—National Health Service system.

Private system—Social security health institutes.

Coverage

Public system—All public and private sector workers, pensioners, persons receiving work injury, unemployment or family allowance benefits.

Private system—Covered workers and their dependents. Persons not receiving family allowances may contract in.

Both systems exist at the same time. One can choose either system.

Source of Funds

Public system—Insured person: Wage earners and salaried employees, 7% of earnings. Pensioners, 7% of pension.

Employer: None, except subsidies for maternity benefits.

Government: Partial subsidy.

Private system—Insured person: Wage and salary workers and self-employed, 7% of earnings, regardless of contracted plan.

Employer: None.

Government: Partial subsidy for maternity benefits.

Maximum monthly earnings for contribution purposes (old and new systems): 60 UFs, see Old Age, Disability, Death, above), regardless of the contracted plan.

Qualifying Conditions

Cash sickness and maternity benefits: Wage earners and salaried employees, currently covered, a total of 6 months and 3 months of contribution in last 6 months.

Self-employed, currently covered with 12 months of enrollment and 6 months of contributions in last 12 months before illness.

Medical benefits: All workers currently covered.

Qualifying conditions for both systems are the same.

Sickness and Maternity Benefits

Public system—Sickness benefit: For public employees, 100% of net earnings. For private sector employees, the average monthly net earnings in the 3 months before the onset of illness.

Maternity benefit: Same as sickness benefit; payable for 6 weeks before and 12 weeks after confinement.

Private system—Sickness benefit: Employee signs a minimum 12-month contract with individual health institute. Benefits vary by contract, but cannot be less than those provided by the public system.

Adjustment of benefits: adjusted after every 12 consecutive months of benefits paid to the insured.

Workers' Medical Benefits

Public system—Medical benefits: Includes general and specialist care, periodic medical examinations, hospitalization, medicines, dental care, and maternity care. Duration: No limit.

Private system—Benefits vary by contract, but generally include medical and surgical care, hospitalization, pharmaceuticals, and maternity care. Some contracts also provide dental care. Beneficiary has co-payment.

Dependents' Medical Benefits

Medical benefits for dependents: Same as for insured person.

Private system—Same as cash sickness and maternity benefits. All pregnant women up to 6 months after pregnancy and children under 6 years of age are entitled to regular checkups.

Administrative Organization

Public system—Ministry of Health, general supervision. National Health Services, administration of benefits and services.

Private system—Superintendent of Health Institutions, oversees individual health institutions.

Work Injury

First law: 1916.

Current law: 1968.

Type of program: Social insurance system.

Coverage

Employed persons, government workers, students, and some self-employed persons.

Source of Funds

Insured person: None, except for the self-employed.

Employer: 0.95% of payroll, plus 0 to 6.8% of payroll according to industry and risk (for wage earners and salaried employees). Employers may contract out of system by offering equal or improved benefit provisions.

Government: Contributes as employer.

Qualifying Conditions

Work-injury benefits: No minimum qualifying period.

Temporary Disability Benefits

Temporary disability benefit: Same as under cash sickness benefit. Payable from day of injury up to 12 months (may be extended up to 24 months).

Adjustment: Readjusted as wages rise either by law or collective agreement.

Permanent Disability Benefits

Permanent disability pension: 70% of base wage, if totally (at least 70%) disabled.

Constant-attendance supplement: 30% of base wage.

Partial (40%-67.5%) disability: 35% of base wage.

Lump-sum grant of up to 15 months' base wages for 15% to 37.5% disability.

Workers' Medical Benefits

Medical benefits: Necessary medical, dental, and pharmaceutical services, hospitalization, appliances, rehabilitation, and occupational retraining. No cost to the beneficiary.

Survivor Benefits

Survivor pension: 50% of pension of insured, payable to widow over age 45 or caring for child. Payable at any age to disabled widow.

Orphans: 20% of pension for each orphan under age 18 (age 24 if student or any age if disabled); 50% for each full orphan.

Administrative Organization

Ministry of Labor and Social Welfare, general supervision. Superintendent of Social Security, administration of contributions and cash benefits through Institute of Social Security Standardization, Private Salaried Employees' Welfare Fund, other private enterprises, and by employers' nonprofit mutual insurance groups.

National Health Service, provision of medical benefits.

Unemployment

First law: 1937.

Current law: 1981.

Type of program: Employment-related system (unified program for wage and salaried workers).

Coverage

Employed persons.

Source of Funds

Insured person: None.

Employer: None.

Government: Whole cost through Unified Family Allowances and Unemployment Fund.

Qualifying Conditions

Unemployment benefit: 52 weeks of coverage during previous 2 years (for wage earners and salaried employees).

Registered for employment, able and willing to work.

Unemployment not due to reasons within claimant's control.

Unemployment Benefits

Unemployment benefit: First 90 days, 17,338 pesos a month; between 91 and 180 days, 11,560 pesos a month; between 181 and 360 days, 8,669 pesos a month.

Persons eligible for unemployment benefits also continue to receive family allowances, maternity, and medical benefits.

Administrative Organization

Ministry of Labor and Social Welfare, general supervision.

Superintendent of Social Security, through Institute of Social Security Standardization, and Family Allowance Compensation Funds, administration of program.

Family Allowances

First laws: 1937 (salaried employees) and 1953 (wage earners).

Current law: 1981 (wage earners and salaried employees).

Type of program: Employment-related system (unified program for wage and salaried workers).

Coverage

Employed persons and pensioners with 1 or more children or other eligible dependents. Special program for the needy.

Source of Funds

Insured person: None.

Employer: None.

Government: Whole cost through Unified Family Allowances and Unemployment Fund.

Qualifying Conditions

Family allowances: Child must be under age 18 (24 if student, no limit if disabled); also payable from 5th month of pregnancy. Allowances also paid for dependent wife, disabled husband, widowed mother, stepchildren, orphaned or abandoned grandchildren and great-grandchildren, orphans, and disabled or aged parent over age 65.

Family Allowance Benefits

Family allowances (wage earners and salaried employees): Periodically adjustable fixed amount a month per dependent. Disabled persons receive a double allowance.

Administrative Organization

Ministry of Labor and Social Welfare, and Superintendent of Social Security, general supervision.

Family Allowance Compensation Fund, Institute of Social Security Standardization and other public and private organizations, payment of benefits.

Special program administered by Emergency Social Fund.